BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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In the Matter of	)	
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2000 Biennial Regulatory Review --	)	
Comprehensive Review of the	)	
Accounting Requirements and	)	CC Docket No. 00-199
ARMIS Reporting Requirements for	)	Phase 3
Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3	)	

REPLY COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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March 14, 2001

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SUMMARY

In these Reply Comments, GSA opposes USTA's proposal that an ILEC's achievement of interstate pricing flexibility trigger an elimination of the Commission's accounting and reporting requirements. GSA agrees with most non-ILEC parties that uniform accounting and reporting requirements will remain necessary for all ILECs until effective competition curtails their market dominance.

GSA also disagrees with Verizon's complaint that the imposition of accounting and reporting requirements on the ILECs alone is detrimental to competition. GSA finds no reason to impose detailed requirements on carriers lacking market power, and no significant competitive harm from the resulting focused regulation.

Finally, while GSA agrees with AT&T that a nationally uniform accounting and reporting system is essential, GSA believes the elimination of reporting requirements for an ILEC in a given state to be reasonable if the ILEC is found to be non-dominant by both the Commission and the state commission.

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The General Services Administration ("GSA") submits these Reply Comments on behalf of the customer interest of all Federal Executive Agencies ("FEAs") in response to the Commission's Notice of Proposed Rulemaking ("Notice") released on October 18, 2000. In the Notice, the Commission seeks comments and replies on whether there are triggers that will allow the Commission to significantly modify or relieve certain accounting and reporting requirements that currently apply to incumbent local exchange carriers ("ILECs").

I. INTRODUCTION

On February 13, 2001, GSA filed Comments in this proceeding urging the Commission to retain its uniform accounting and reporting requirements for ILECs as long as they remain dominant in the provision of any essential service.[1] Conversely, since competitive LECs ("CLECs"), interexchange carriers ("IXCs"), cable companies and wireless carriers do not possess telephony market power, GSA explained that detailed accounting and reporting requirements are not necessary for their regulation.[2] GSA also noted that there may be situations in the future when reporting requirements for an ILEC can be removed before accounting requirements are eliminated.[3]

Comments were also filed by the following parties:

- The United States Telecom Association ("USTA") and four individual ILECs;
- Two major IXCs;
- The local and long distance divisions of Sprint Corporation ("Sprint");
- The state commission members of the Federal-State Joint Board on Separations ("State Members");
- The Public Service Commission of Wisconsin ("Wisconsin"); and
- The Ohio Consumers' Counsel and the National Association of State Utility Consumer Advocates ("OCC/NASUCA").

In these Reply Comments, GSA responds to the comments and positions of these parties.

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[1] Comments of GSA, pp. 3-5.

[2] Id., pp. 6-7.

[3] Id., pp. 7-8.

II. ILECs Must Remain Subject To Uniform Accounting And Reporting Requirements As Long As They Remain Dominant In The Provision Of Any Essential Service

USTA contends that "competition is a reality and is increasing at lightening speed."[4] USTA further contends that rules designed solely for ILECs are obsolete since convergence is accelerating at a "phenomenal" pace due to increases in Internet, data and wireless traffic.[5] USTA concludes that existing accounting and reporting requirements should be eliminated entirely by 2005.[6] USTA proposes that accounting and reporting requirements be eliminated for a price cap ILEC when it is allowed interstate pricing flexibility and ceases to be eligible for the Lower Formula Adjustment Mechanism ("LFAM").[7] USTA's position is supported by Bell South and Verizon.[8]

Most non-ILEC parties, however, agree with GSA that uniform accounting and reporting requirements will remain necessary for the ILECs until effective competition curtails their market dominance.[9] Indeed, AT&T terms this Phase 3 inquiry "premature" since the record in Phase 2 of this proceeding has shown that both the FCC and the state commissions depend on the FCC's accounting and reporting rules for many

[4] Comments of USTA, p. 6.

[5] Id., p. 8.

[6] Id., pp 11-15.

[7] Id., pp. 9-11.

[8] Comments of BellSouth Corporation ("BellSouth"), p. 3; Verizon, pp. 3-7.

[9] Comments of WorldCom, p. 2; Wisconsin, p. 3; OCC/NASUCA, p. 4; Sprint, pp. 1-2.

purposes which are unlikely to become obsolete in the foreseeable future.[10] Wisconsin summarizes these purposes as follows:

> 1. To support tariffed prices, to provide information concerning the financial condition of ILECs, and to serve as an efficient system for both management and federal and state regulators.
>
> 2. To ensure ratepayers of regulated services do not bear the costs and risks of nonregulated activities.
>
> 3. To ensure proper cost data is available on which to base a system of sufficient universal service support.
>
> 4. To implement jurisdictional separations.
>
> 5. To assess the state of the telecommunications network including the extent of deployment of advanced technology.
>
> 6. To address cost issues in various proceedings such as a long-term number portability, interconnection, pole attachments, and collocation.[11]

As GSA noted in its Comments, only the Commission is in a position to require the uniformity of accounting and reporting needed to meet these needs throughout the nation.[12] The premature elimination of the Commission's accounting and reporting requirements would be contrary to the public interest.

[10] Comments of AT&T Corp. ("AT&T"), p. 2.

[11] Comments of Wisconsin, pp. 3-4. In their Comments, the State Members emphasize the need for detailed accounting information in the analysis of jurisdictional separations reform alternatives (pp. 2-3).

[12] Comments of GSA, p. 4.

The interstate pricing flexibility "trigger" proposed by USTA for the elimination of ILEC accounting and reporting requirements is wholly inadequate. OCC/NASUCA states:

> The limited scope of competition required by the *Pricing Flexibility Order* is clearly not enough to justify relaxing accounting and reporting requirements across the board.[13]

In fact, AT&T notes that the pricing flexibility regime has created a need for new accounting and reporting information.[14] As GSA explained in its Comments, the deregulation of some ILEC services increases the need for uniform accounting and reporting requirements to ensure that such deregulated services are not subsidized by the services that remain regulated.[15]

USTA contends that it is not necessary for the Commission to make a determination of non-dominance in order to eliminate its ILEC accounting and reporting rules.[16] GSA strongly disagrees, as do other non-ILEC parties. For example, OCC/NASUCA states:

> The greatest degree of relaxation of accounting and reporting requirements could come when the incumbent LECs are no longer dominant in their former monopoly service territories. That may be a long time coming.[17]

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[13] Comments of OCC/NASUCA, p. 8.

[14] Comments of AT&T, p. 3.

[15] Comment of GSA, p. 5.

[16] Comments of USTA, p. 10.

[17] Comments of OCC/NASUCA, p. 4 (footnote deleted).

Wisconsin states:	Until there is effective competition, however, the FCC and the states cannot carry out their respective statutory mandates without uniform and accurate accounting and reporting information.[18]
Sprint states:	So long as a dominant carrier situation exists in a given market, the Commission should maintain some form of regulation to prevent abuse.[19]
WorldCom states:	In particular, the Commission should make clear that it will not contemplate the elimination of the core requirements of Part 32 or Part 64 until an ILEC has been declared nondominant for all services.[20]

In short, the search for a regulatory "trigger" to eliminate ILEC accounting and reporting requirements is premature. Uniform accounting and reporting requirements will be necessary until an ILEC is found to be nondominant in the provision of all interstate and intrastate services.

III. Non-ILECs Should Not Be Made Subject To Uniform Accounting And Reporting Requirements Unless They Become Dominant In the Provision Of An Essential Service

In its Comments, GSA explained that, since non-ILECs lack market power, they need not to be subject to the uniform accounting and reporting requirements applicable

[18] Comments of Wisconsin, p. 3.

[19] Comments of Sprint, p. 2.

[20] Comments of WorldCom, p. 2.

to the ILECs.[21] No commenting party disagreed with GSA's analysis. Sprint states "placing unnecessary regulation on non-dominant carriers does not serve the public interest. There is no reason to force CLECs to adhere to Part 32 accounting."[22]

Verizon complains, however, that requiring detailed accounting and reporting by the ILECs alone creates an "asymmetrical burden" on the ILECs. Verizon states:

> This asymmetrical burden distorts the market and prevents consumers from reaping the benefits of full and free competition.[23]

As GSA noted in its Comments, the Commission's rules are not really "asymmetric" in concept. All dominant carriers are subject to uniform accounting and reporting rules.[24] It happens, of course, that only the ILECs have been considered dominant carriers since AT&T was declared non-dominant in 1995.

Given the vast difference in market power between the ILECs and their competitors, the Commission should not be overly concerned about asymmetry in accounting and reporting requirements. In fact, OCC/NASUCA notes that "asymmetric regulation makes sense."[25] Wisconsin agrees and states:

> Although continuing review of the regulatory landscape is appropriate, the Wisconsin Commission suggests that asymmetric

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21 Comments of GSA, p. 6.

22 Comments of Sprint, p. 3.

23 Comments of Verizon, p. 3.

24 Comments of GSA, p. 6.

25 Comments of OCC/NASUCA, p. 8.

> regulation in a transitional industry is reasonable.[26]

In any case, the application of uniform accounting and reporting requirements to the ILECs alone cannot seriously be considered an impediment to competition. As AT&T notes:

> The ILECs already maintain accounting systems for their internal needs that are much more detailed and elaborate than what the FCC's rules require, and the LECs will continue to maintain those systems whether the FCC repeals its accounting rules or not....Moreover, even if the FCC did repeal those rules, the state commissions would almost certainly reinstate many of those requirements at the state level, which may be costlier for the LECs because of the inevitable lack of uniformity in state requirements.[27]

GSA urges the Commission to consider symmetry in accounting and reporting to be a goal only appropriate after symmetry in market power has become a reality.

IV. ILEC Accounting and Reporting Requirements May Be Different

In its Comments, GSA suggested that, if an ILEC were found to be non-dominant in a particular state by both the Commission and the state commission, it would be reasonable to eliminate separate reporting requirements for that ILEC for that state.[28] GSA noted, however, that the Commission's uniform accounting requirements would

[26] Comments of Wisconsin, p. 7.

[27] Comments of AT&T, pp. 3-4.

[28] Comments of GSA, p. 8.

remain necessary to allow total ILEC reports to be prepared for interstate and universal service purposes.[29]

AT&T argues that the Commission should not consider state-by-state or LEC-by-LEC relief from its accounting and reporting rules because it would lead to different standards among the states.[30] AT&T contends that FCC-ordered national uniformity is far more efficient that having fifty different standards and facilities benchmarking among the states.[31] GSA agrees with AT&T on the importance of a nationally uniform accounting and reporting system. GSA believes, however, that the Commission's reporting requirement can be waived in the very limited circumstances described above without adverse consequences.

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[29] Id.

[30] Comments of AT&T, p. 3.

[31] Id.

V. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Reply Comments.

Respectfully submitted,

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March 14, 2001

CERTIFICATE OF SERVICE

I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Reply Comments of the General Services Administration" were served this 14th day of March, 2001, by hand delivery or postage paid to the following parties.

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